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1946

Report to Stockholders

NATIONAL TOOL COMPANY

CLEVELAND

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DIRECTORS

HARRY W. BARKLEY - - - - - - - - - Cleveland, Ohio
President, National Tool Company

GEORGE O. DESAUTELS - - - - - - - Indianapolis, Indiana
President, George O. Desautels Company

FRED V. GARDNER - - - - - - - - - Milwaukee, Wisconsin
Senior Partner, Fred V. Gardner & Associates

LEWIS F. JUBENVILLE - - - - - - - Orchard Lake, Michigan
Vice President, National Tool Company

SAMUEL J. KORNHAUSER - - - - - - - - Cleveland, Ohio
Chairman of the Board, National Tool Company

J. VICTOR LOEWI - - - - - - - - - Milwaukee, Wisconsin
President, Loewi & Company

JOHN S. PEARSON - - - - - - - - - - New York City
Dobbs & Company

EXECUTIVE COMMITTEE

HARRY W. BARKLEY, Chairman

L. F. JUBENVILLE

J. VICTOR LOEWI

OFFICERS

SAMUEL J. KORNHAUSER - - - - - - - - Cleveland, Ohio
Chairman of the Board

HARRY W. BARKLEY - - - - - - - - - Cleveland, Ohio
President & General Manager

LEWIS F. JUBENVILLE - - - - - - - Orchard Lake, Michigan
Vice President

LAWRENCE A. HEGENBARTH - - - - - - - Cleveland, Ohio
Secretary, Treasurer and Comptroller

LEWIS M. SHAFER - - - - - - - - - Cleveland, Ohio
Assistant Secretary and Assistant Treasurer

REGISTRAR OF STOCK — CENTRAL NATIONAL BANK, Cleveland, Ohio

TRANSFER AGENT OF STOCK — NATIONAL TOOL COMPANY, Cleveland, Ohio

INDEPENDENT AUDITORS — HASKINS & SELLS

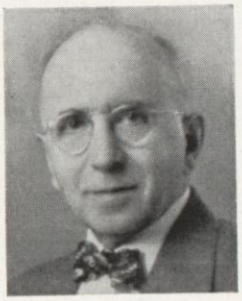
OFFICERS

S. J. KORNHAUSER
Chairman of the Board

H. W. BARKLEY
President

L. F. JUBENVILLE
Vice-President

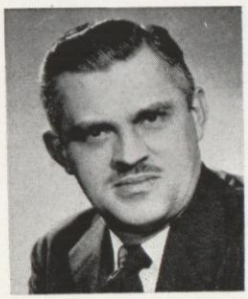
L. A. HEGENBARTH
Secretary, Treasurer and Comptroller



L. M. SHAFER
Assistant Secretary and Assistant Treasurer

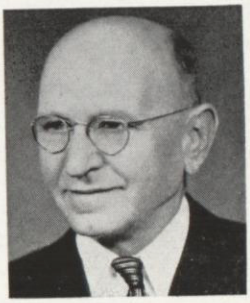
KEY MEN

E. R. DOEBELIN
Supervisor of Standards

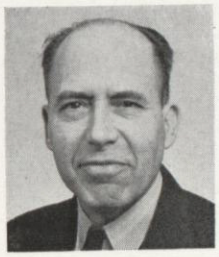


J. C. GROSSMAN
Factory Superintendent

D. M. HALLIER
Sales Manager

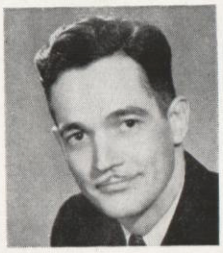


A. A. ERHARDT, Sr.
Chief Engineer



T. L. SHOMBER
Purchasing Agent

R. D. LINDSTROM
Superintendent of Tool Production



R. H. SHRIDER
Personnel Manager

W. B. MILLER
Metallurgist

J. G. RHYNER
Chief Inspector

A. T. WEST
Supervisor of Factory Accounting

NATIONAL TOOL HIGHLIGHTS

(1946 and 1945)

	1946	%	1945	%
SUMMARY OF INCOME:				
Net Sales	$2,056,875	100.00	$2,167,282	100.00
Cost of Goods Sold	1,590.164	77.31	1,772,557	81.79
Gross Profit from Sales	466,711	22.69	394,725	18.21
Selling, Administrative and General Expenses	338,858	16.47	365,263	16.85
Profit from Operations	127,853	6.22	29,462	1.36
Other Expense—Net	3,068	.15	36,042	1.66
Net Income Before Federal Income Tax	124,785	6.07	*6,580*	*.30*
Provision for Federal Income Tax	49,000	2.38	*65,000*	*3.00*
Net Income for the Year	75,785	3.69	58,420	2.70
RETURN ON CAPITAL INVESTED		7.96%		6.39%
DIVIDENDS PAID	34,429		22,447	
NET INCOME RETAINED IN BUSINESS	41,356		35,974	
PER SHARE OF COMMON STOCK				
Net Income	33c		25.5c	
Cash Dividends	15c		10c	
Taxes Paid or Accrued	40.4c		22.2c	
EXPENDITURES FOR BUILDINGS, MACHINERY & EQUIPMENT	181,600		171,700	
SUMMARY OF CAPITAL INVESTED:				
Current Assets	656,573		667,736	
Current Liabilities	262,764		211,499	
Net Current Assets	393,809		456,237	
*Land, Buildings & Equipment—Net	380,695		317,650	
Federal Tax Claims	115,064		96,482	
Miscellaneous Assets	62,643		44,002	
Total Capital Invested	952,211		914,371	
*Long Term Loan balance deducted.				
BOOK VALUE PER SHARE OF COMMON STOCK	4.15		3.99	
APPROXIMATE NUMBER OF STOCKHOLDERS	1,100		1,042	
EMPLOYEES:				
Number at December 31st	440		349	
Average number during year	402		418	
Total compensation paid	$1,241,843		$1,316,599	

ANNUAL REPORT

TO THE STOCKHOLDERS OF NATIONAL TOOL COMPANY

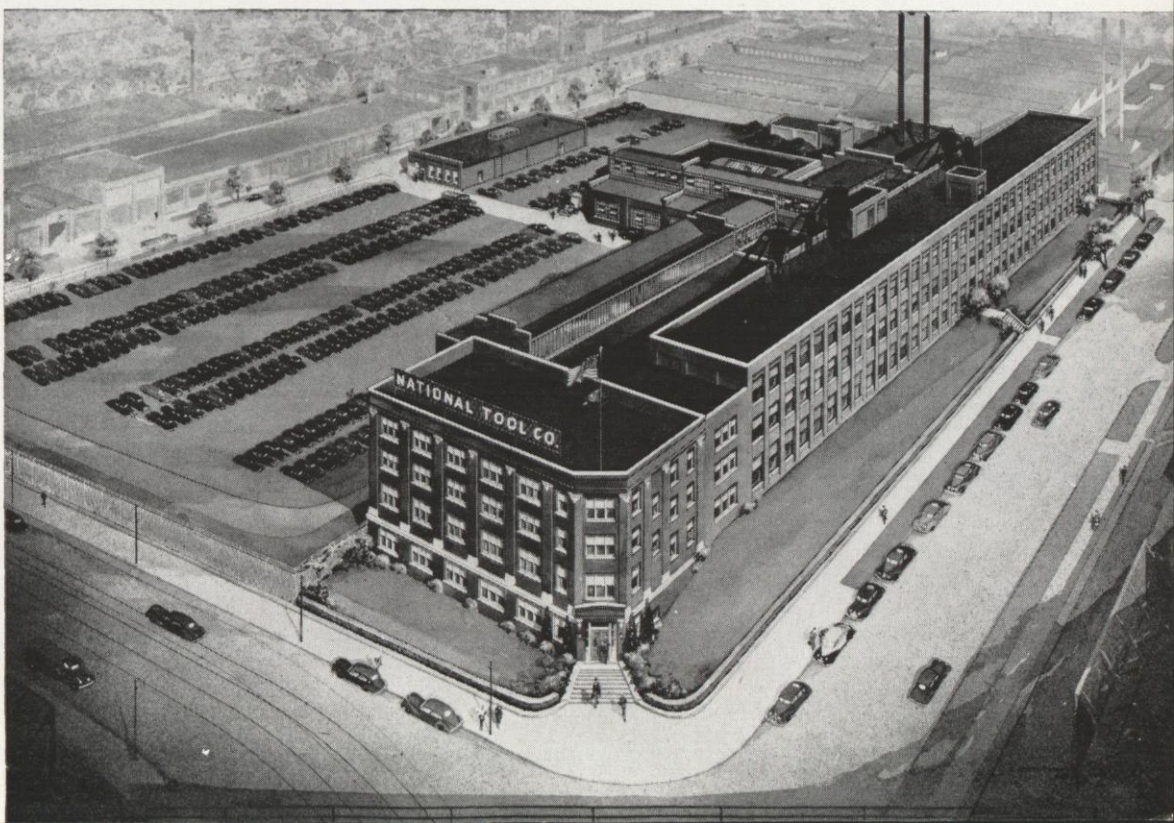
The Annual Report of National Tool Company for the calendar year 1946 is presented herewith, with the approval of the Board of Directors. Included as a part of the report are copies of our Balance Sheet at December 31, 1946; Statement of Income and Earned Surplus for the year; Notes to Financial Statements, and Accountants' Certificate, as prepared by Haskins & Sells, Certified Public Accountants, who have certified our Statements for the past several years.

EARNINGS

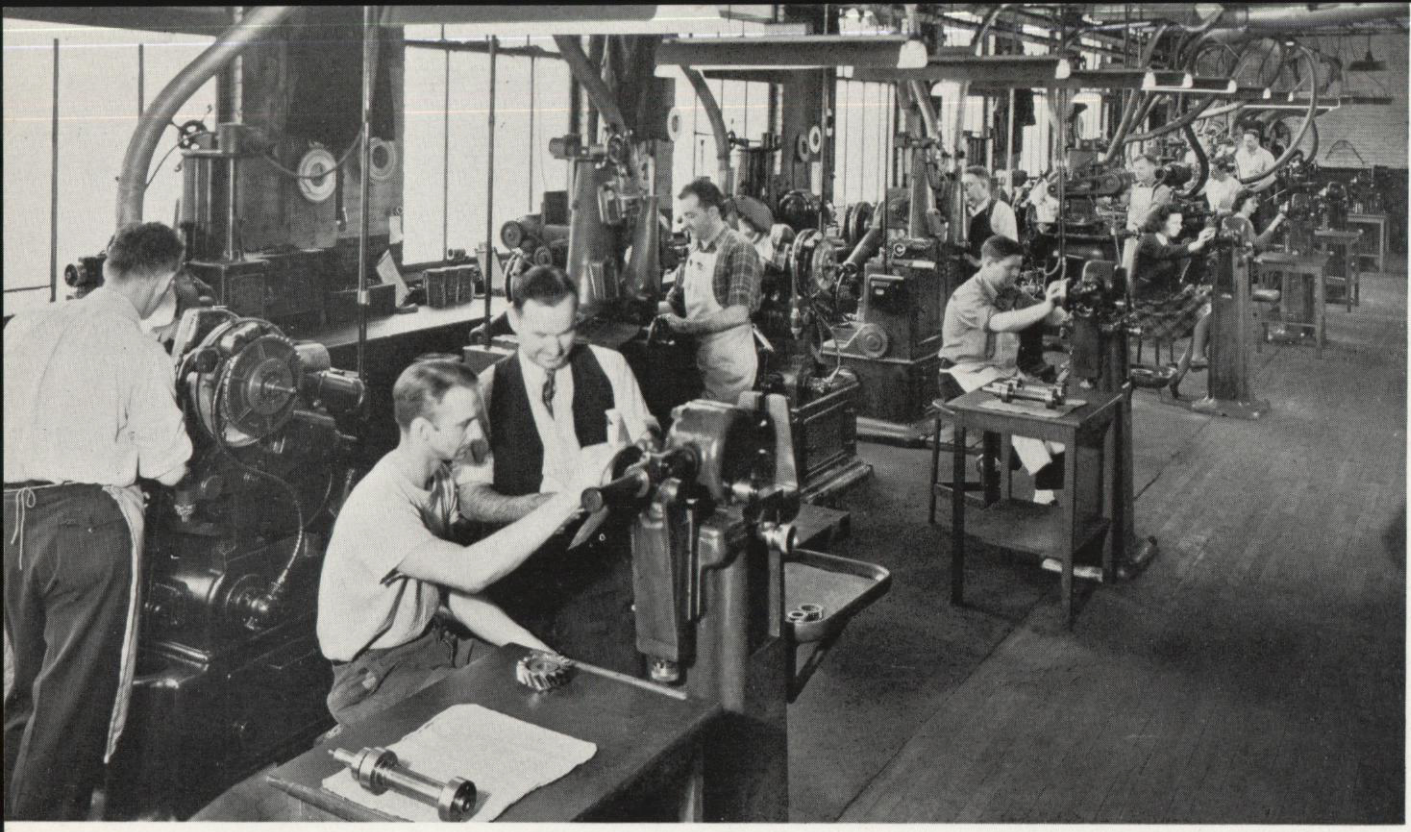
Net income for the calendar year 1946, after all charges, interest, depreciation, and provision for Federal Income Taxes, was $75,784.97 or 33 cents per share on the 229,524 common shares outstanding at the end of the year. This is an increase of 29.7% over the net income of $58,420.48 reported for 1945. The entire net income for the year 1946 resulted solely from manufacturing and selling operations, whereas for 1945 the net income consisted of the credit arising from the Federal Income Tax Carry-back Claim for that year. It is significant to note that the "Profit from Operations" in 1946 was $127,-853.19, whereas for 1945 it was $29,461.59.

SALES

Net Sales for 1946 were $2,056,875.69, a decrease of $110,406.41 or 5.1% from the 1945 Net Sales of $2,167,282.10. Although sales were somewhat disappointing in the first part of the year, there was a sharp increase in the rate of shipments during the last half of the year. This increase was the result of stepped-up operations



Home of National Tool Company



Section of Gear Shaper Cutter Department

in the plants of our customers, many of whom were beset by the labor difficulties, material shortages, and price uncertainties so prevalent throughout the country in the early months of 1946.

The increased rate of sales experienced in the latter months of 1946 has continued into 1947, and orders are currently being received in a satisfactory volume. We believe the Company is now enjoying a greater share of the Nation's special cutting tool business than at any time in its peace-time history. This is largely due to the coordinated efforts of a reorganized and expanded sales force, under the direction of D. M. Hallier, who assumed the responsibility of Sales Manager on May 1, 1946, having been promoted from the position of Assistant Sales Manager, in which he had served effectively for several years.

To assist the Sales Department, the advertising appropriation for 1947 has been doubled over that authorized for 1946. Considerable emphasis will be placed on direct mail media, in addition to larger and more frequent advertisements in leading trade magazines. Our Company publication "Blueprints of the Future", which has been so favorably received, will continue to be issued regularly.

DIVIDEND

A cash dividend of 15 cents a share was paid on the common stock on December 23, 1946 to stockholders of record December 12, 1946. This Compares with a dividend of 10 cents a share paid in 1945.

FEDERAL TAXES

During 1946, at the request of the Company, the local office of The Bureau of Internal Revenue reviewed the Company's Federal tax returns and tax claims as filed for the years 1941 through 1945. These returns and claims were accepted as being substantially correct, and the Agent's report has been forwarded to Washington for final review.

The net amount of the overassessments and carry-back claims still due the Company at December 31, 1946, in accordance with the Revenue Agent's report, was $115,064.11, and this amount is shown in the Balance Sheet under the heading of Miscellaneous Assets. During 1946, refunds of $86,824.45 were received from the Treasury Department in payment of various claims, overassessments, Post War Refund

Bonds, etc. Interest is accruing in favor of the Company at the rate of 6% per annum on the unpaid Federal tax claims.

The total of all Federal, State and Local taxes paid or charged to Operations during 1946 (including Federal Income Tax) was $92,775.67 or 40.4 cents for each share of stock outstanding. This is significant in comparison to net income of 33 cents a share during the same period.

WORKING CAPITAL

The excess of Current Assets over Current Liabilities as shown on the December 31, 1946 Balance Sheet is $393,808.64, and the ratio of Current Assets to Current Liabilities is approximately 2½ to 1. This compares with Working Capital of $456,237.14 at December 31, 1945, and a current ratio at that time of 3:15 to 1. The decrease shown in Working Capital is caused by the necessity of providing for accrued Income Tax on 1946 profits, whereas no liability for Income Tax was required in 1945, inasmuch as the profit arose from a carry-back claim and was, therefore, non-taxable. Also it was possible to classify certain Federal Tax Claims as Current Assets at December 31, 1945 because of the nature of the claims, whereas this condition did not exist at December 31, 1946.

The increased rate of activity experienced in the latter months of 1946 is reflected in the fact that Trade Accounts Receivable were $223,418.33 at the end of 1946 compared to $101,773.24 a year earlier. Inventories at December 31, 1946 were $302,094.54 compared to $230,776.96 at December 31, 1945. This increase in Inventories is normal, as it consists of additional Raw Materials and Goods in Process, whereas Finished Goods decreased by $11,088.97.

BANK LOANS

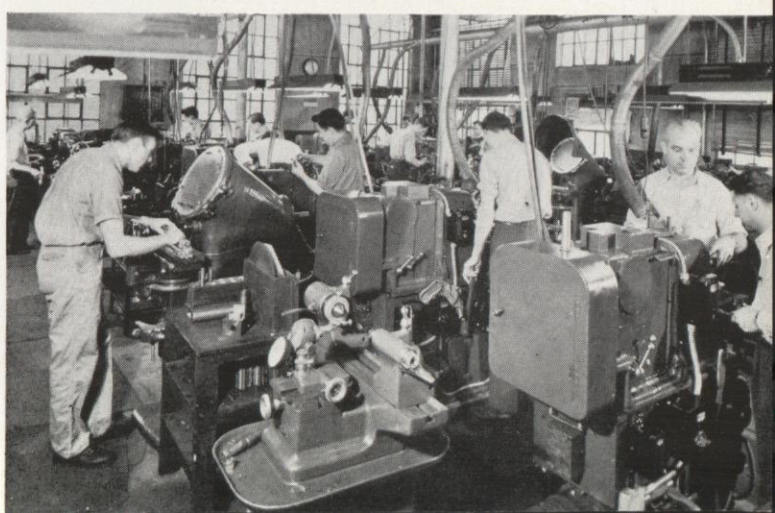
Under the Term Loan Agreement negotiated with the bank in December of 1945, the Company borrowed $300,000.00 and has used this money to acquire additional machinery and equipment needed to modernize and expand facilities. During 1946, payments aggregating $30,000.00 were made on this loan, and the balance of $270,000 is shown on the accompanying Balance Sheet as of December 31, 1946. A further payment of $15,000 was made on January 15, 1947, leaving a balance due of $255,000 as of the date of this report. A provision of the Term Loan Agreement specifies that a substantial portion of the Federal Tax Refund Claim as, and when received, shall be applied as a reduction of the loan.

The bank has also extended to us current borrowing privileges which are considered ample for any working capital needs. No working capital loans were outstanding at December 31, 1946, and there are none at the date of this report. A loan of $100,000 was outstanding at December 31, 1945, and was paid during the past year.

STOCKHOLDERS

Throughout 1946 our outstanding capital stock remained unchanged at 229,524 shares of $1.00 par value. There were 1,100 stockholders as of December 31, 1946 located in 34 states, compared to 1042 stockholders at the end of 1945. The following breakdown indicates the relatively wide distribution of the outstanding shares:

Section of Hob Grinding Department



	No. Stockholders
Holding 5,000 shares or more	5
Holding 1,000 to 4,999 shares	32
Holding 500 to 999 shares	72
Holding 100 to 499 shares	583
Holding Less than 100 shares	408
	1,100

LABOR RELATIONS

National Tool Company's record of forty-two years of satisfactory relations between labor and management, uninterrupted by any major work stoppage, remained unimpaired during the past year. We take pleasure in acknowledging that much credit is due the workers in the factory for the results achieved in the last six months of 1946. Their skill, efficiency, and sense of responsibility have never been so clearly manifested.

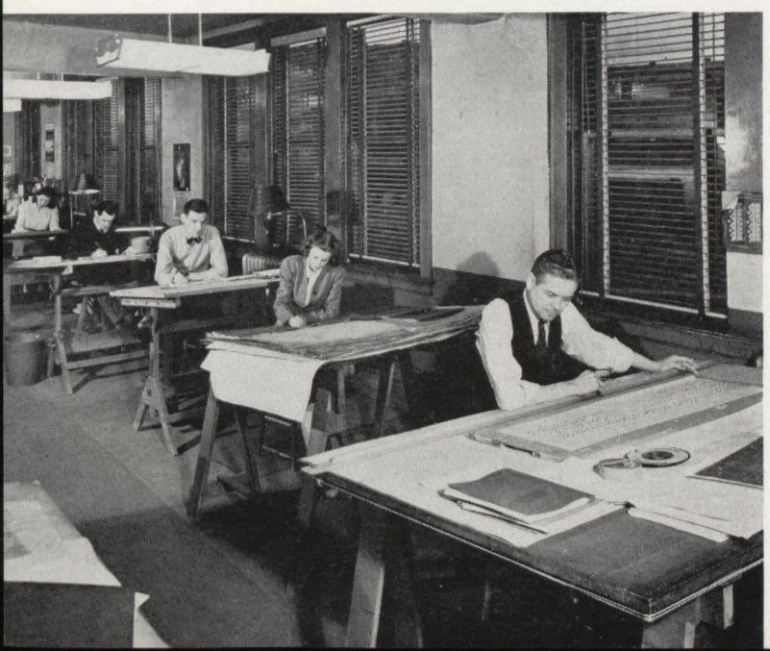
Obviously, we could not escape the impact of the surge of labor demands which swept the country following the war's end. The serious problems, relating to increased labor costs, were met in a spirit of fairness and goodwill. We proceeded on the principle that the employees of the Company should be accorded wages and working conditions comparable to those common in our industry in the Cleveland area. We firmly rejected all labor demands which would clearly place an undue and unfair burden on the business. Early in 1946, all employees of National Tool Company received an increase of eighteen cents per hour in wages and pay for two holidays.

Our Union Contract expired December 31, 1946. After lengthy negotiations, sometimes difficult, but fairly conducted by the management and labor representatives, a new contract was executed in January, 1947. This agreement, acceptable to the Company and ratified by our factory workers, became the basis of our labor relations, and will be in effect until March 15, 1948.

It is our firm belief that this agreement will result in a better understanding between labor and management; a more compelling sense of duty on the part of the employee toward the Company; a recognition on the part of the Company of the employee's need for continuity of employment, adequate wage scale, and pleasant working conditions.

Our problems of labor relations now fall initially on the shoulders of R. H. Shrider, who was recently appointed Personnel Director.

View in Engineering Department



OPERATIONS

PLANT REARRANGEMENT During the year 1946, the efficiency and productive capacity of many departments in the factory have been materially increased through the addition of more modern equipment and the rearrangement of working facilities. This program of plant expansion and rearrangement, begun late in 1945, has been practically completed. The amount expended to date for this purpose is approximately $325,000, of which about $200,000 was used to acquire equipment previously installed in our plant under lease from Defense Plant Corporation. All of the machinery acquired was purchased from Government Agencies at advantageous prices. The original cost value of the total equipment acquired was in excess of

$600,000, but is shown in the Balance Sheet at the net cost to us.

Two of the largest productive departments have been completely revamped with additional modern methods and machinery. The improved layout of these departments permits the product to flow from the first to the final operation, interrupted only for the heat treating process.

QUALITY CONTROL Though the changes during the past year were made primarily to increase productive capacity and to reduce manufacturing costs, a portion of our expenditures were applied to the important task of enlarging and improving inspection facilities. The most modern and precise checking equipment, of both domestic and foreign make, is now in use in our factory.

Our Inspection Department, headed by J. G. Rhyner, Chief Inspector, is aware of its responsibility to maintain, unimpaired, the high reputation for quality products which the Company has enjoyed since its inception.

HEAT TREATMENT Heat treatment is one of the most important factors in the production of high quality cutting tools. It imparts hardness, toughness, and durability to the tool; and the proper combination of these features is necessary to obtain the maximum productive life of the tool. We have established in our Heat Treating Department the latest and most approved methods and automatically controlled equipment particularly adapted to the proper hardening of high alloy steels. Through a well-equipped chemical, metallurgical and physical laboratory, the scientific processes used in heat treating are supervised and controlled. W. B. Miller, expert metallurgist and specialist in high alloy steels, is head of the Laboratory and Heat Treating Department.

ENGINEERING To our Engineering Department falls the routine work of engineering and designing cutting tools to our customers' requirements and specifications. It also provides the factory with the design of tools and methods, and the computations and instructions necessary to manufacture the cutting tools. This work calls for high skill and special knowledge. But basic and essential as this is, an even more important duty rests on our engineers. They must devise, discover and invent new cutting tool products as well as improve and readapt the old. To keep abreast of the constant technological evolution in the metal working industry is a task of first importance. The vital responsibility for the achievement of these objectives rests with Chief Engineer, Anton Erhardt, Sr., a veteran in our service, and well known cutting tool engineer.

Chemical Division of the Laboratory

MACHINE SHOP For many years National Tool Company has maintained a department in the factory known as the "Machine Shop". Here were produced machines designed and engineered by National Tool Company for its own use, and occasionally for sale in certain foreign countries. This department also had the responsibility for the repairs and maintenance of our factory equipment.

It became evident that the productive capacity of the Machine Shop was considerably greater than was being effectively utilized. The Sales Department, when approached with this problem, began actively and successfully to solicit business adaptable to the Machine Shop. Consequently, during 1946 our sales were augmented

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BALANC

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ASSETS

CURRENT ASSETS:			
Cash			$ 129,839.35
Accounts receivable:			
Trade	$223,418.33		
Other	15,800.26	$239,218.59	
Less reserve for doubtful accounts		4,579.50	234,639.09
Inventories — at lower of cost or market:			
Finished goods	$ 27,325.85		
Goods in process	165,651.60		
Raw materials and supplies	109,117.09	$302,094.54	
Less reserve for loss and obsolescence		10,000.00	292,094.54
Total current assets			$ 656,572.98
MISCELLANEOUS ASSETS:			
Mutual insurance and other deposits, etc.		$ 23,161.20	
Claims for Federal income tax refunds resulting from over-assessments and carry-back—net		115,064.11	
Total miscellaneous assets			138,225.31
LAND, BUILDINGS, AND EQUIPMENT—At cost:			
Land		$ 39,103.98	
Buildings, machinery, and equipment, etc.	$833,101.77		
Less reserve for depreciation	300,510.79	532,590.98	
Emergency facilities	$178,199.71		
Less reserve for amortization	178,199.71		
Total land, buildings, and equipment			571,694.96
DEFERRED CHARGES:			
Deferred tool expense		$ 37,498.15	
Prepaid insurance, patent expense, etc.		1,983.99	
Total deferred charges			39,482.14
TOTAL			$1,405,975.39

The Notes to Financial Statements ar

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...R 31, 1946

LIABILITIES

CURRENT LIABILITIES:		
Current portion of notes payable to bank—Note A		$ 79,000.00
Accounts payable:		
Trade	$ 56,038.28	
Other	5,633.32	61,671.60
Accrued salaries, wages, and commissions		45,153.10
Accrued real estate and social security taxes		13,401.65
Accrued Federal income tax—estimated		49,000.00
Miscellaneous accruals		14,537.99
Total current liabilities		$ 262,764.34
NOTES PAYABLE TO BANK (less current portion) — Note A		191,000.00
CAPITAL STOCK AND SURPLUS:		
Common capital stock, $1 par value — authorized, 600,000 shares; issued and outstanding, 229,524 shares — Note B	$229,524.00	
Surplus:		
Paid-in (no change during the year)	$136,915.96	
Earned since January 1, 1940 — Note A	585,771.09	722,687.05
Total capital stock and surplus		952,211.05
TOTAL		$1,405,975.39

...e an integral part of the above balance sheet.

NATIONAL TOOL COMPANY

STATEMENT OF INCOME AND EARNED SURPLUS

For the Year Ended December 31, 1946

GROSS SALES, LESS RETURNS, ALLOWANCES, AND DISCOUNTS		$2,056,875.69
COST OF GOODS SOLD		1.590.164.32
GROSS PROFIT FROM SALES		$ 466,711.37
SELLING, ADMINISTRATIVE, AND GENERAL EXPENSES		338,858.18
PROFIT FROM OPERATIONS		$ 127,853.19
OTHER INCOME CREDITS		8.504.30
GROSS INCOME		$ 136,357.49
INCOME CHARGES:		
Interest	$11,311.72	
Other	260.80	
Total		11,572 52
NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAX		$ 124,784.97
PROVISION FOR FEDERAL INCOME TAX — Estimated		49.000 00
NET INCOME FOR THE YEAR		$ 75,784.97
EARNED SURPLUS, JANUARY 1, 1946		547.930.59
Total		$ 623,715.56
SURPLUS CHARGES:		
Dividends	$34,428.60	
Miscellaneous — net	3,515.87	37,944.47
EARNED SURPLUS, DECEMBER 31, 1946		$ 585,771.09

The Notes to Financial Statements are an integral part of the above statement.

NATIONAL TOOL COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE A — Notes payable to bank consist of a series of $15,000 notes due quarterly through October 15, 1949 and one note for $90,000 payable January 15, 1950.

The loan agreement provides that proceeds (approximating $106,000) from certain Federal tax refunds claimed, and a percentage of net earnings of each year are to be applied in payment of the notes in the inverse order of maturity.

The agreement also limits the amount of dividends which may be paid in any year to a portion of that year's earnings.

NOTE B — Ten thousand shares of unissued capital stock of the Company are subject to a purchase option by an officer of the Company until August 1, 1950 at a price of $5 a share for the first five thousand shares and $6 a share for the additional five thousand shares.

NOTE C — Depreciation expense included in the accompanying statement of income amounts to $51,108.96.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TERMINAL TOWER
CLEVELAND 13

ACCOUNTANTS' CERTIFICATE

National Tool Company:

We have examined the balance sheet of National Tool Company as of December 31, 1946 and the related statement of income and earned surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying balance sheet and statement of income and earned surplus fairly present the financial condition of the Company at December 31, 1946 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

March 3, 1947.

by many Machines, Jigs, Fixtures, Gauges, and Machine Parts, all of which were produced in the Machine Shop. At the present time we have a very substantial backlog of orders for the Machine Shop, and it is anticipated that this department of the business will continue to operate profitably during 1947.

NEW FACTORY SUPERVISION Since the promotion of Anton Erhardt, Sr. from Factory Superintendent to Chief Engineer, the factory is now being operated by J. C. Grossman, Factory Superintendent, assisted by R. D. Lindstrom, Tool Production Superintendent. These two young men, recently added to the Management staff, bring to National Tool Company a wealth of knowledge and experience. Their energetic supervision, coupled with that of the departmental foremen and their assistants, is essential to the achievement of the improved factory productivity and efficiency so necessary for successful operation.

PRODUCTION CONTROL A visual production control system is now in operation in our factory. This system, designed for our particular requirements, records the movement of work from operation to operation, and has been instrumental in improving the control of production through better coordination and information.

By the elimination of unnecessary routing of work from one department to another, the manufacturing cycle has been shortened considerably; and the number of non-productive laborers, such as material handlers, clerks, expeditors, production control men, and inter-operation inspectors has been reduced.

BUDGETING AND COST CONTROL A modern standard cost system, coupled with flexible budgetary control, furnishes complete information regarding costs and cost trends in all factory departments. In addition to supplying accurate and timely departmental costs, the system also provides, currently, the cost of each product, each line of product, and each order manufactured. The daily, weekly and monthly reports and analyses prepared by the Factory Accounting Department are of great value to the Management in analyzing operations and controlling costs. As an example, the ratio of non-productive factory labor to productive labor was reduced by over 50% during 1946, and this was accomplished without impairing necessary services.

View of one Section of Gear Shaper Inspection Department

All Accounting, Budgeting and Financial matters are under the supervision of L. A. Hegenbarth, Secretary, Treasurer and Comptroller. He is ably assisted in these various capacities by L. M. Shafer, Assistant Secretary and Assistant Treasurer, and A. T. West, Supervisor of Factory Accounting and Budgets.

OFFICERS AND KEY MEN

We are firmly convinced that a successful business requires not only modernized equipment, methods, and machinery, but also requires young, aggressive and well-trained men to fill the various positions of responsibility within the organization. With this object in view, particular attention has been given to the assignment of the best available personnel to posts of administrative responsibility, and we are now able to say with confidence that we consider our present organization superior to any which the Company has had heretofore.

To emphasize this confidence, and to acquaint you with some of these men, we take pleasure in presenting, in the first part of this report, pictures of the officers and other key men of the Company.

OUTLOOK FOR 1947

To appraise effectively the outlook for 1947, it is necessary to review, briefly, the more salient factors affecting past operations.

The cutting tool industry is highly competitive. Beginning just prior to the war, and especially during the course of it, the Country's capacity to produce cutting tools was greatly augmented. Other well-established manufacturers were induced, as we were, to expand production facilities to meet war time needs. Further, there were many newcomers in this field. Since the cessation of hostilities, the urgent and extraordinary demands on industry for buyers' patronage was rapidly exercising an increasing influence; so that even the elimination of Government price control caused only slight advance in the prices of some classes of cutting tools, and no advance in others.

The year 1946 was difficult in many respects. The price of labor, raw materials, supplies and services of all kinds increased steadily throughout the year. The low volume of our sales in the early months of 1946 reflected the difficulties that faced many of our customers. Widespread labor disturbances, shortages of vital materials, price uncertainties and extended periods of shut-down caused by reconversion problems plagued many of our customers and reduced materially their need for our products.

It is evident, from an examination of our year-end Financial Statement, that we have had some measure of success in meeting and solving the problems that confronted the Company in 1946. The same resources, energy and ingenuity that were applied to the problems in 1946 are now being more actively utilized to further the interests of National Tool Company in 1947.

The cutting tool industry is one of service to many other industries, and is, therefore, extremely sensitive to the rate of activity of such industries as steel, automobile, heavy machinery, tractors and farm implements, aircraft, household appliances, etc. When these industries step up operations, their need for special cutting tools increases. This applies particularly to the need for special cutting tools engineered and designed to speed production and reduce costs.

The demand for our products is evidenced by our increasing backlog of orders, more than double the backlog at the start of 1946.

We believe that National Tool Company, the largest in the field devoting substantially all of its facilities to the manufacture of special cutting tools, is better prepared than ever before to meet this increasing demand for its products.

Harry W Barkley *President*

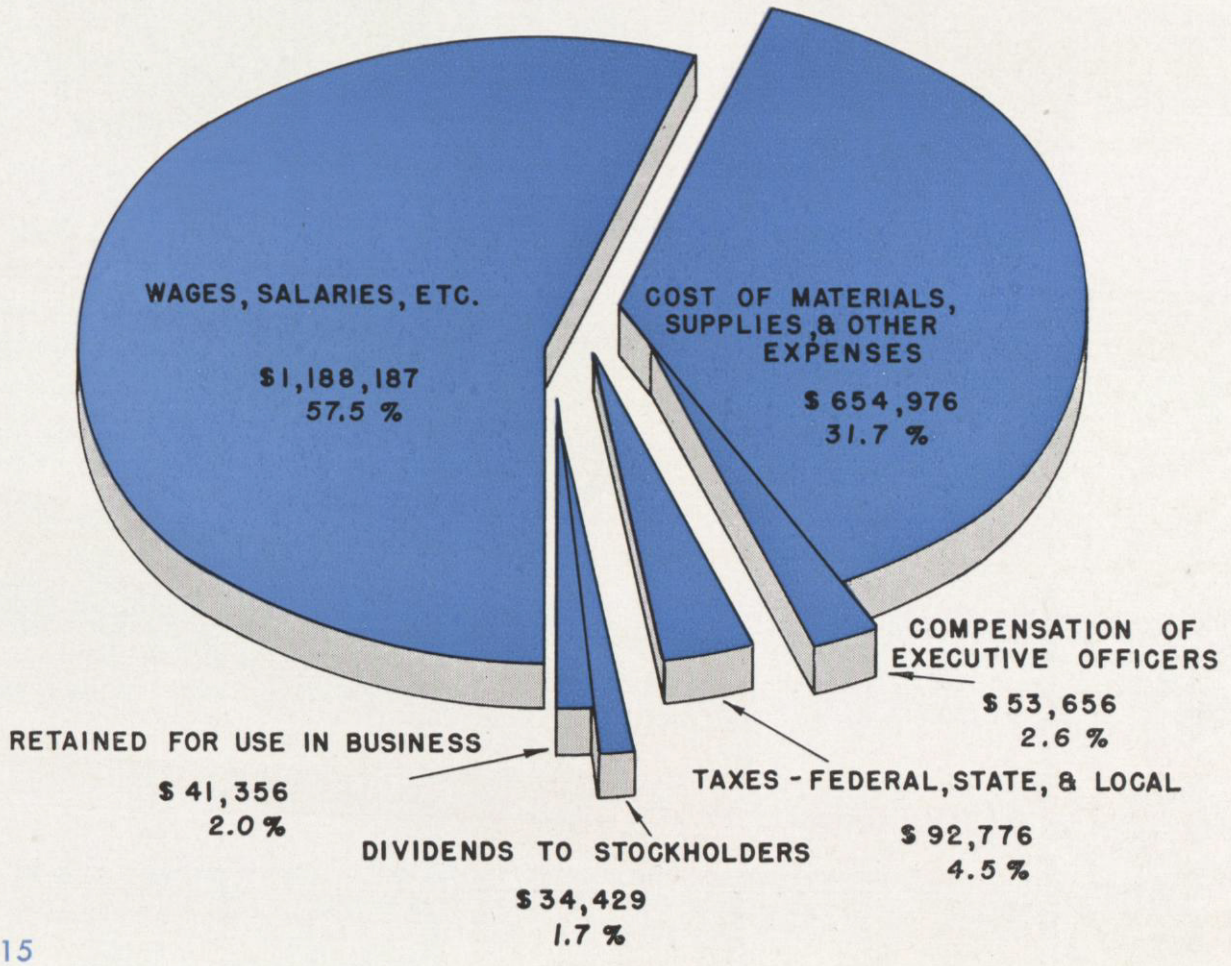
March 25, 1947.

Form Relieving Section of Hob Department

CONDENSED SUMMARY OF INCOME AND EXPENSES

YEAR 1946

INCOME:		
Net Sales	$2,056,875	
Interest Earned, Purchase Discount, etc.	8,505	
	$2,065,380	100.0%
EXPENSES:		
Wages, salaries, etc.	$1,188,187	57.5%
Cost of materials, supplies and other expenses	654,976	31.7
Compensation of Executive Officers	53,656	2.6
Taxes—Federal, state and local	92,776	4.5
Dividends to stockholders	34,429	1.7
Retained for use in business	41,356	2.0
	$2,065,380	100.0%



Some of the many Types of Tools made
by National Tool Company

SALES OFFICES

D. M. HALLIER

Sales Manager

CLEVELAND, OHIO

J. W. McINTYRE

G. W. DAVIS

AKRON, OHIO
D. G. McMillan

BIRMINGHAM, ALABAMA
Tool Engineering Service

BOSTON, MASSACHUSETTS
Harold L. Henchey

BUFFALO, NEW YORK
Don W. Patterson Co.

CHICAGO, ILLINOIS
N. W. Dorr

DAYTON, OHIO
R. B. Nuckols

DENVER, COLORADO
Silver Engineering Works, Inc.

DETROIT, MICHIGAN
E. G. Hardig

ERIE, PENNSYLVANIA
Edward Weingard

HOUSTON, TEXAS
R. E. Schuller

INDIANAPOLIS, INDIANA
George O. Desautels Company

LOS ANGELES, CALIFORNIA
Chadkin Sales, Inc.

MILWAUKEE, WISCONSIN
W. H. Foster Engineering Co.

MOLINE, ILLINOIS
John J. Normoyle Company

NEWARK, NEW JERSEY
H. Wilson Ryno

PHILADELPHIA, PENNSYLVANIA
Otto Wilhelmy & Son

PITTSBURGH, PENNSYLVANIA
Harris Pump & Supply Co.

ST. LOUIS, MISSOURI
John L. Barnard

TOLEDO, OHIO
Fred C. Ahrendt

TULSA, OKLAHOMA
General Machinery & Equipment Co.